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SECURITIES AND EXCHANGE COMMISSION

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## ANNUAL AUDITED REPORT

FORM X-17A-5

## PART III

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## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/19 AND ENDING 12/31/19  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Dunham &amp; Associates Investment Counsel, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

10251 Vista Sorrento Parkway, Suite 200

(No. and Street)

San Diego

CA

92121

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Denise S. Iverson

858-964-0500

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PKF, LLP

(Name - if individual, state last, first, middle name)

2020 Camino Del Rio North, Suite 500 San Diego

CA

92108

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:

☒  
☐  
☐

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

## FOR OFFICIAL USE ONLY

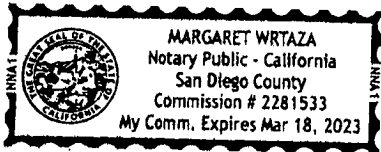
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (11-05)

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information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, Denise S. Iverson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dunham & Associates Investment Counsel, Inc., as of December 31, 2019, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Denise S. Iverson  
Signature

CFO

Title

Margaret Wrtaza  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☒ (d) Statement of ~~Changes in Financial Condition~~ Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

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DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
For the Years Ended December 31, 2019 and 2018

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**PKF**

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
Years Ended December 31, 2019 and 2018

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Accountants and  
business advisers

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors  
Dunham & Associates Investment Counsel, Inc.  
San Diego, California

**Opinion on the Financial Statements**

We have audited the accompanying statements of financial condition of Dunham & Associates Investment Counsel, Inc. (a California corporation) (the "Company"), as of December 31, 2019 and 2018 and the related statements of operations, changes in shareholder's equity, cash flows for the years then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Dunham & Associates Investment Counsel, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of Dunham & Associates Investment Counsel Inc.'s management. Our responsibility is to express an opinion on Dunham & Associates Investment Counsel, Inc.'s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Dunham & Associates Investment Counsel, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Supplemental Information**

The supplemental information contained in Schedules I, II, III, and IV has been subjected to audit procedures performed in conjunction with the audit of Dunham & Associates Investment Counsel, Inc.'s financial statements. The supplemental information is the responsibility of Dunham & Associates Investment Counsel, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*PKF, LLP*

PKF, LLP

We have served as Dunham & Associates Investment Counsel, Inc.'s auditor since 1997.

San Diego, California  
February 27, 2020

PKF, LLP | 2020 Camino del Rio North, Suite 500, San Diego, CA 92108  
Telephone: (619) 238.1040 | Fax: (619) 237.5177 | Website: [www.pkfcalifornia.com](http://www.pkfcalifornia.com)

PKF, LLP is a member of the PKF International Limited and Allinial Global, networks of legally independent member firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
STATEMENTS OF FINANCIAL CONDITION  
December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 2,228,084	\$ 2,747,573
Accounts receivable	2,653,807	978,549
Receivables from related parties	1,605,685	2,422,274
Prepays and other assets	<u>393,874</u>	<u>309,984</u>
Total current assets	6,881,450	6,458,380
Furniture, fixtures and equipment, net of accumulated depreciation of \$659,089 and \$577,842	<u>197,384</u>	<u>172,218</u>
Total assets	<u>\$ 7,078,834</u>	<u>\$ 6,630,598</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Accounts payable	\$ 1,539,734	\$ 1,019,011
Accrued liabilities	705,129	660,482
Payable to related party	<u>—</u>	<u>10,181</u>
Total current liabilities	<u>2,244,863</u>	<u>1,689,674</u>
Contingencies (Note 8)		
Shareholder's equity:		
Common stock, no par value; 100,000 shares authorized, issued and outstanding	1,990	1,990
Additional paid-in capital	1,723,717	1,723,717
Retained earnings	<u>3,108,264</u>	<u>3,215,217</u>
Total shareholder's equity	<u>4,833,971</u>	<u>4,940,924</u>
Total liabilities and shareholder's equity	<u>\$ 7,078,834</u>	<u>\$ 6,630,598</u>

The accompanying notes are an integral part of the financial statements.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
STATEMENTS OF OPERATIONS  
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues:		
Investment advisory services and fees	\$ 16,106,783	\$ 14,222,037
Brokerage and mutual fund commissions	248,514	269,349
Interest and other income	<u>436,921</u>	<u>394,256</u>
Total revenues	<u>16,792,218</u>	<u>14,885,642</u>
Expenses:		
Salaries and benefits	6,496,195	6,322,272
Commissions and trading	5,273,857	4,630,909
Sales and marketing	938,526	936,288
Professional and outside services	755,155	645,358
Occupancy and equipment	622,017	515,233
Other	39,321	217,291
Forgiveness of receivable from related party	<u>1,125,000</u>	<u>—</u>
Total expenses	<u>15,250,071</u>	<u>13,267,351</u>
Net income before taxes	1,542,147	1,618,291
Provision for income taxes	<u>(24,100)</u>	<u>(25,700)</u>
Net income	<u>\$ 1,518,047</u>	<u>\$ 1,592,591</u>

The accompanying notes are an integral part of the financial statements.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY  
For the Years Ended December 31, 2019 and 2018

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>		
Balance, December 31, 2017	100,000	\$ 1,990	\$ 1,723,717	\$ 3,312,626	\$ 5,038,333
Shareholder distributions	—	—	—	(1,690,000)	(1,690,000)
Net income	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,592,591</u>	<u>1,592,591</u>
Balance, December 31, 2018	100,000	1,990	1,723,717	3,215,217	4,940,924
Shareholder distributions	—	—	—	(1,625,000)	(1,625,000)
Net income	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,518,047</u>	<u>1,518,047</u>
Balance, December 31, 2019	<u>100,000</u>	<u>\$ 1,990</u>	<u>\$ 1,723,717</u>	<u>\$ 3,108,264</u>	<u>\$ 4,833,971</u>

The accompanying notes are an integral part of the financial statements.



DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income	\$ 1,518,047	\$ 1,592,591
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	81,247	59,685
Forgiveness of receivable from related party	1,125,000	—
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,675,258)	572,438
Receivables from related parties	(308,411)	39,414
Prepays and other assets	(83,890)	18,607
Increase (decrease) in liabilities:		
Accounts payable	520,723	(172,883)
Accrued liabilities	44,647	(161,749)
Payable to related party	(10,181)	10,181
Income taxes payable	<u>—</u>	<u>(8,900)</u>
Net cash provided by operating activities	<u>1,211,924</u>	<u>1,949,384</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(106,413)</u>	<u>(50,861)</u>
Net cash used in investing activities	<u>(106,413)</u>	<u>(50,861)</u>
Cash flows from financing activities:		
Shareholder distributions	<u>(1,625,000)</u>	<u>(1,690,000)</u>
Net cash used in financing activities	<u>(1,625,000)</u>	<u>(1,690,000)</u>
Net (decrease) increase in cash	(519,489)	208,523
Cash at beginning of year	<u>2,747,573</u>	<u>2,539,050</u>
Cash at end of year	<u>\$ 2,228,084</u>	<u>\$ 2,747,573</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ —</u>	<u>\$ —</u>
Income taxes	<u>\$ 26,500</u>	<u>\$ 38,000</u>

The accompanying notes are an integral part of the financial statements.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations**

Dunham & Associates Investment Counsel, Inc. (the "Company") was incorporated in California in 1982 and is registered with the Securities and Exchange Commission ("SEC") as a Registered Investment Adviser and the Financial Industry Regulatory Authority ("FINRA") as a securities broker/dealer.

The Company serves as investment adviser to and distributor of a series of registered investment company shares or mutual funds (the "Dunham Funds"). As such, the Company earns investment advisory fees and receives commissions (12b-1 fees) on the sales of certain classes of shares. The Company also earns advisory fees from asset allocation and wrap fee programs utilizing no-load or load-waived share classes of the Dunham Funds. The Company also serves as investment adviser for certain clients for which Dunham Trust Company, an affiliate, serves as Trustee.

**Recognition of Revenue**

The Company recognizes investment advisory services and fees as earned over the periods in which services are provided, generally over time. While investment management contracts and agreements tend to be long-term in nature or may have no specific contract term, the performance obligations are generally satisfied daily or monthly based on assets under management.

The Company, as investment adviser, earns monthly advisory fees from the Dunham Funds based on the average daily net asset value of each fund pursuant to an Investment Advisory Agreement between the Dunham Funds and the Company. The fee varies by fund and ranges from 0.50% to 0.65% on an annualized basis. These fees, which are accrued monthly and collected the following month, represented approximately 51% and 57% of total investment advisory services and fees for the years ended December 31, 2019 and 2018, respectively.

The Company, as program sponsor, has entered into agreements with various financial advisers and their clients choosing to use the Company's asset allocation and advisory wrap fee programs ("Asset Allocation Programs"). The Asset Allocation Programs use the Dunham Funds – Class N or A Shares. The Company earns monthly advisory fees based on either the performance of the underlying accounts ("Performance-based Fees") or on a flat percentage fee basis ("Asset-based Fees"), subject to the Asset Allocation Program selected, the financial adviser's choice and the qualification of the client.

Performance-based Fees are calculated based on the total net increase in the market value of each account using "high-water" marks. The fee is equal to 10% of the total net increase, calculated monthly and charged quarterly. One-half of the quarterly fee collected is in turn paid to the financial adviser. Performance-based fees may be higher or lower than the Asset-based Fees and can fluctuate significantly from year to year based on market performance, a client's portfolio mix and individual high-water mark. Performance-based Fees represented approximately 17% and 9% of total investment advisory services and fees for the years ended December 31, 2019 and 2018, respectively.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recognition of Revenue, Continued

Asset-based Fees are calculated and earned monthly based upon the average of assets under management and contract advisory fees in accordance with the applicable Asset Allocation Program or investment management agreement. Depending on the program, advisory fees are collected monthly or quarterly. A portion of the advisory fees, generally the amount in excess of a 25 basis point program fee, are in turn paid to the financial advisers. Asset-based Fees represented approximately 32% and 34% of total investment advisory services and fees for the years ended December 31, 2019 and 2018, respectively.

The Company has entered into contracts with various broker/dealers to sell, through registered sales representatives, shares of the Dunham Funds – Class C and A Shares. The Company receives compensation monthly in the form of 12b-1 fees on the sales of such shares, a portion of which is in turn paid to the participating broker/dealers. Such fees are recognized to revenue monthly as earned.

The Company receives monthly shareholder services fees from the Dunham Funds for providing certain client servicing and administrative functions, a portion of which is in turn paid to its affiliate custodian. Such fees are recognized to revenue monthly as earned.

Accounts Receivable and Allowances for Uncollectible Accounts

Accounts receivable are stated at the historical carrying amount. The Company establishes an allowance for uncollectible accounts, if required, based on historical experience and any specific customer collection issues that the Company has identified. Uncollectible accounts receivable are written off when a settlement is reached for an amount that is less than the outstanding balance or when the Company has determined that the balance will not be collected.

Fair Value of Financial Instruments

Generally accepted accounting principles in the United States requires the use of fair values in determining the carrying values of certain assets and liabilities in the financial statements, as well as for specific disclosures about certain assets and liabilities.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to these valuation techniques used to measure fair value giving preference to quoted prices in active markets (level 1) and the lowest priority to unobservable inputs such as a reporting entity's own data or information or assumptions developed from this data (level 3). Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, observable inputs other than quoted prices, such as interest rates and yield curves, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are carried at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets, which is generally three to five years. Depreciation expense for the years ended December 31, 2019 and 2018 was \$81,247 and \$59,685, respectively, and is included in occupancy and equipment expense. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes

The Company, as a wholly-owned subsidiary of an S corporation, has elected to be treated as a qualified subchapter S subsidiary (QSSS). As such, the Company is not treated as a separate corporation for tax purposes. Instead, all its assets, liabilities, and items of income, deduction and credit are treated as assets, liabilities and items of its S corporation parent, which, in general, will accrue directly to its shareholders. The S corporation pays a California franchise tax of 1.5%. For financial reporting purposes, the Company computes its tax liability on a separate return basis and may reduce its liability to that of the combined return upon filing of the return. Accordingly, no provision for federal income taxes is included in the financial statements. A tax provision of \$24,100 and \$25,700 is recorded for California state taxes for the years ended December 31, 2019 and 2018, respectively.

The Company adopted the application of uncertain tax positions of FASB ASC 740, *Income Taxes*, during 2009. The standard addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FASB ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. At the date of adoption, and as of December 31, 2019 and 2018, the Company does not have a liability for unrecognized tax uncertainties.

The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2019 and 2018, the Company has no accrued interest or penalties related to uncertain tax positions. The Company is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress. Management believes that the Company is no longer subject to income tax examination for years prior to December 31, 2016.

Recent Accounting Pronouncements

As of January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and all subsequent ASUs that modified FASB ASC Topic 606, *Revenue from Contracts with Customers*. The core principle of the guidance in FASB ASC Topic 606 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company elected to apply the standard utilizing the modified retrospective approach. The implementation of the new standard did not have a material impact on the measurement or recognition of revenue.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Recent Accounting Pronouncements, Continued**

As of January 1, 2019, the Company adopted ASU 2017-02, *Leases* (Topic 842). The ASU supersedes FASB ASC 840, *Leases*, and added Topic 842, *Leases*, to the FASB ASC. The core principle of the ASU is that an entity should recognize assets and liabilities arising from a lease and disclose both quantitative and qualitative information regarding its leases. This represents a change from previous lease requirements, which did not require lease assets and lease liabilities to be recognized by many lessees. The ASU did not impact the Company's financial statements as the Company has nominal operating lease arrangements for which it is the lessee.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Company currently maintains most of its bank accounts at two financial institutions located in California. The accounts at this bank are insured by the Federal Deposit Insurance Corporation up to applicable limits. At December 31, 2019 and 2018, the Company's uninsured cash balances totaled \$1,727,984 and \$2,247,473, respectively. The Company has not experienced any losses in such accounts and management believes it places its cash on deposit with financial institutions that are financially stable and monitors such institutions on an ongoing basis.

**NOTE 3 - INVESTMENTS**

The Company periodically invested its excess cash in limited partner units of one or more of the D&A Mortgage Funds (the "Mortgage Funds"), of which Asset Managers, Inc. ("Asset Managers"), an affiliate, is the General Partner. Effective December 20, 2017, the General Partner purchased all outstanding limited partner units at a reduced respective net asset value pursuant to a Final Liquidation proposal approved by a majority of the limited partners in each Mortgage Fund and the Company incurred a loss of \$100,268. At December 31, 2018, the Company held an unsecured receivable of \$182,294 related to the purchase, included in receivables from related parties, which was fully paid in May 2019.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of advisory fees receivable from clients, billed and collected quarterly. There is no allowance for uncollectible accounts required on these balances as of December 31, 2019 and 2018.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE 5 - ACCRUED LIABILITIES**

Accrued liabilities at December 31, 2019 and 2018 were as follows:

	2019	2018
Payroll and related taxes	\$ 504,736	\$ 464,866
Vacation	178,176	176,362
Audit and tax	22,217	19,254
	<u>\$ 705,129</u>	<u>\$ 660,482</u>

**NOTE 6 - NET CAPITAL AND RESERVE REQUIREMENTS**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, as defined, not exceed 15 to 1. At December 31, 2019 and 2018, the amount of net capital, as defined, exceeds the minimum amount required by \$459,057 and \$1,475,468, respectively, and its ratio of aggregate indebtedness to net capital is 3.17 to 1 and 0.98 to 1, respectively.

The Company is exempt from the provisions of SEC Rule 15c3-3 (pursuant to paragraph (k)(2)(i) of such Rule) as an introducing broker that carries no margin accounts, does not otherwise hold funds or securities of customers and effectuates financial transactions through bank accounts designated as Special Accounts for the Exclusive Benefit of Customers. Operating as such, the Company is not required to prepare a determination of reserve requirements for brokers or dealers.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The Company earns advisory, commissions and other fees related to the Dunham Funds and for services as discussed in Note 1. For the years ended December 31, 2019 and 2018, these fees amounted to \$8,949,368 and \$8,802,993, respectively. As of December 31, 2019 and 2018, the Company has a receivable balance of \$809,040 and \$733,148, respectively, which is included in receivables from related parties. In conjunction with earning the above fees, the Company pays commissions and other expenses to participating broker/dealers and service providers.

The Company shares certain expenses and services of employees with affiliates. Such costs are allocated and charged to the Company and to the affiliates based on agreed upon estimates of each affiliate's usage and/or benefit of such expenses. The Company also participates in an affiliate-wide bonus pool whereby income or losses generated by each of the affiliates is aggregated to create a discretionary bonus pool available for eligible employees of all affiliates. Each affiliate is subsequently charged bonus expense based on actual bonuses paid to its employees, if any. Total allocable expenses of the Company and the affiliates were \$9,599,600 and \$9,279,404 for the years ended December 31, 2019 and 2018, respectively, of which \$274,536 and \$346,172 were allocated to or paid directly by affiliates. The reimbursements from affiliates were offset against the Company's related operating expenses. The Company also makes advances, which are unsecured and noninterest bearing, to its affiliates. During 2019, the Company forgave \$1,125,000 in advances to an affiliate and the related loss is reflected in the 2019 statement of operations. There was no impact on regulatory net capital as such advances do not count as allowable assets towards the Company's required minimum net capital. As of December 31, 2019 and 2018, the Company has a remaining receivable balance of \$796,645 and \$1,506,832, respectively, from affiliates for allocable expenses and advances which is included in receivables from related parties. As of December 31, 2019 and 2018, the Company has a payable balance of \$0 and \$10,181, respectively, due to an affiliate for allocable expenses.

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE 8 - CONTINGENCIES**

The lease for the facility in which the Company is located is held by an affiliate. The Company pays a portion of the total lease expense based on management's calculation of shared overhead expenses as discussed in Note 7.

**NOTE 9 - EMPLOYEE BENEFIT PLAN**

The Company offers a retirement savings 401(k) plan covering all eligible employees. The plan provides for voluntary employee contributions up to a dollar limit prescribed by law and the Company may make discretionary matching contributions to the plan. The contribution expense to the plan was \$96,727 and \$103,980 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 10 - SUBSEQUENT EVENT**

Management has evaluated subsequent events, as defined by FASB ASC 855, *Subsequent Events*, through the date that the financial statements were available to be issued on February 27, 2020.

## SUPPLEMENTAL INFORMATION



SCHEDULE I

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
COMPUTATION OF NET CAPITAL  
UNDER SEC RULE 15c3-1  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net worth	\$ 4,833,971	\$ 4,940,924
Less:		
Non-allowable assets:		
Accounts receivable	2,653,807	978,549
Receivables from related parties	879,749	1,754,605
Prepaid and other assets	393,974	310,084
Furniture, fixtures and equipment	<u>197,384</u>	<u>172,218</u>
Total non-allowable assets	<u>4,124,914</u>	<u>3,215,456</u>
Other deductions	<u>—</u>	<u>—</u>
Net capital	<u>\$ 709,057</u>	<u>\$ 1,725,468</u>
Aggregate indebtedness		
Items included in statements of financial condition		
Accounts payable	\$ 1,539,734	\$ 1,019,011
Accrued liabilities	705,129	660,482
Payable to related party	<u>—</u>	<u>10,181</u>
Total aggregate indebtedness	<u>\$ 2,244,863</u>	<u>\$ 1,689,674</u>
Computation of Basic Net Capital Requirement		
Minimum net capital required (6-2/3% of aggregate indebtedness or \$250,000, whichever is greater)	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>
Net capital in excess of amount required	<u>\$ 459,057</u>	<u>\$ 1,475,468</u>
Net capital less greater of 10% of aggregate indebtedness or 120% of \$250,000	<u>\$ 409,057</u>	<u>\$ 1,425,468</u>
Ratio: Aggregate indebtedness to net capital	<u>3.17 to 1</u>	<u>0.98 to 1</u>

See accompanying report of independent registered public accounting firm.

SCHEDULE II

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
RECONCILIATION OF COMPUTATION OF NET CAPITAL  
UNDER SEC RULE 15c3-1 TO AMOUNTS PREVIOUSLY REPORTED  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net capital as previously reported in Part II of Form X-17A-5 of the Company's FOCUS Report	\$ 709,057	\$ 1,725,468
Adjustments	<u>—</u>	<u>—</u>
Net capital as reported on the Company's FOCUS report and on Schedule I	<u>\$ 709,057</u>	<u>\$ 1,725,468</u>
Aggregate indebtedness as previously reported in Part II of Form X-17A-5 of the Company's FOCUS Report	\$ 2,244,863	\$ 1,689,674
Adjustments	<u>—</u>	<u>—</u>
Aggregate indebtedness as reported on the Company's FOCUS report and on Schedule I	<u>\$ 2,244,863</u>	<u>\$ 1,689,674</u>

See accompanying report of independent registered public accounting firm.

SCHEDULE III

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS  
UNDER SEC RULE 15c3-3  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
State the market valuation and number of items:		
1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the audit date (for which instructions to reduce to possession or control had been issued as of the audit date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3	NONE	NONE
Number of items	NONE	NONE
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the audit date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3	NONE	NONE
Number of items	NONE	NONE

The Company is exempt from Rule 15c3-3 under the exemptive provisions of section (k)(2)(i) and, accordingly, has no possession or control requirements.

See accompanying report of independent registered public accounting firm.

SCHEDULE IV

DUNHAM & ASSOCIATES INVESTMENT COUNSEL, INC.  
 COMPUTATION FOR DETERMINATION OF  
 RESERVE REQUIREMENTS UNDER SEC RULE 15c3-3  
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Credit balances:		
Free credit balances and other credit balances in customers' securities accounts	\$ —	\$ —
Monies borrowed collateralized by securities carried for the accounts of customers	—	—
Monies payable against customers' securities loaned	—	—
Customers' securities failed to receive	—	—
Credit balances in firm accounts attributable to principal sales to customers	—	—
Market value of stock dividends, stock splits, and similar distributions receivable outstanding over 30 calendar days	—	—
Market value of short security count differences over 30 calendar days	—	—
Market value of short securities and credits in all suspense accounts over 30 calendar days	—	—
Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.	—	—
Debit balances:		
Debit balances in customers' accounts, excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to rule 15c3-3	—	—
Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver.	—	—
Failed to deliver of customers' securities not older than 30 calendar days	—	—
Excess of total credits over total debits	<u>\$ —</u>	<u>\$ —</u>

The Company operates pursuant to the exemptive provisions of SEC Rule 15c3-3 subparagraph (k)(2)(i). The Company does not carry customer accounts; therefore, they are not required to compute reserve requirements in Part II of Form X-17A-5.

See accompanying report of independent registered public accounting firm.